

## NEWS ARTICLE

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by Senator Bev Hammerstrom

Once again, the Michigan Legislature is struggling to enact responsible budgets in an arena of declining revenue. Economic recovery has been slower than anticipated, resulting in two supplemental budgets of cuts for the current budget year with another \$250 million still needed and an anticipated nearly \$800 million shortfall in the FY2004-05 budget. Following on the heels of the Engler administration's "pork cutting" budgets for the past decade as well as \$1 billion in cuts for each of the past two years, any cuts at this point are painful, making for difficult decisions by lawmakers.

There are some, including a handful of my colleagues, who still believe there is "pork" to cut and that the budget can be balanced on cuts alone. I challenge those who hold this opinion to step up and find the "pork" that will help us balance the budget. At the request of Senate Majority Leader Ken Sikkema, the Senate Fiscal Agency with input from the Appropriations sub-committee chairs, put together an alternative budget reflecting a balance achieved entirely by cuts. To date, no one has stepped up to introduce it, probably because it would have no hope of passage. Why?

Do we really want to close two prisons and have 2,528 felons currently behind bars walking around in our neighborhoods? Do we want to lay off 170 Michigan State Troopers and stop the trooper school when trooper numbers are below recommended levels? Do we want to cut Medicaid provider reimbursements still further resulting in fewer providers, reduced access and increased uncompensated expenses in emergency rooms? Do we want to cut community colleges by 6.3% on top of already 14.1% in cuts, or higher education by an additional 5.8% after reductions in the past two years of 13.7%? Do we want to eliminate the Merit Awards to students who attend out-of-state colleges when so many Bedford students go to the University of Toledo? I think not.

If we cannot totally cut our way out of the deficit, we will need to look at revenue enhancements. To date, the following options have been suggested: a cigarette tax increase that will generate \$330 million; an increased tax on liquor that will generate roughly another \$30 million; a plan for a change in tax collection at the county level which brings the total of these three options to about \$500 million. That's only half of what we need to balance the budget. The Senate Appropriations Chair has proposed an "entertainment" tax increase which would be dedicated to the History, Arts and Libraries budget - \$50 million to offset the proposed \$58 million budget, the smallest of all budgets. The Governor proposed an estate or "death" tax as many refer to it, but this week, Republican leadership made it clear that option was off the table; we already tax it when you earn it; we do not want to tax it again when you die! Leadership and the Governor have made it clear that the Racino package will not be a part of the budget solution; in fact, it will not even be considered in Conference Committee until after the budget is resolved.

One colleague has proposed a 1-cent increase in the sales tax. Since that would generate \$1.2 billion, it could resolve the proposed deficit, but his plan goes further than that, dedicating the monies to specific areas; cuts would still be needed. Since any increase in the sales tax would require a vote of the people, many believe this approach abdicates our responsibility. And there is a timing issue as we must balance the budget by October 1st at the latest. One other interesting proposal that has passed the House is doubling the current tax rate on casinos. The Majority Leader and I opted to keep this legislation on the Senate floor instead of sending it to committee where quick action could be taken if it were to become part of the final solution.

Senate Republicans are committed to a balanced budget that will require a responsible blend of cuts and revenue enhancements. Most of the proposed revenue enhancements represent "quick fixes" to the problem and would only lessen the amount of cuts still needed. Senate Republicans believe that we must not only look at short-term options but also at long-term strategy to grow the economy. We're talking jobs. For Michigan's economy to work, Michigan's people need to work.

That's why we are committed to tie-barring any revenue enhancements to jobs creation. We believe the deficit problem requires a multifaceted solution. Discussions cannot focus on one bill at a time. We must solve our short-term and long-term problems simultaneously, or we will never graduate to a brighter future.

As always in the end, it will all be resolved through give and take, compromise and consensus building. We have a Democrat Governor and Republican Legislature; neither party can dictate their own terms. And as always, it will require the Rule of 77: 56 House members, 20 Senate members, and 1 Governor on the same page at the same time.